

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



FILED
1-29-16
04:59 PM

Order Instituting Rulemaking to Oversee the Resource Adequacy Program, Consider Program Refinements, and Establish Annual Local and Flexible Procurement Obligations for the 2016 and 2017 Compliance Years.

Rulemaking 14-10-010
(Filed October 16, 2014)

**MOTION OF THE INDEPENDENT ENERGY PRODUCERS
ASSOCIATION TO AMEND THE PHASE 2 SCOPING
MEMO AND RULING**

**INDEPENDENT ENERGY PRODUCERS
ASSOCIATION**

Steven Kelly, Policy Director
1215 K Street, Suite 900
Sacramento, CA 95814
Telephone: (916) 448-9499
Facsimile: (916) 448-0182
Email: steven@iepa.com

**GOODIN, MACBRIDE,
SQUERI & DAY, LLP**

Brian T. Cragg
505 Sansome Street, Suite 900
San Francisco, California 94111
Telephone: (415) 392-7900
Facsimile: (415) 398-4321
Email: bcragg@goodinmacbride.com

Attorneys for the Independent Energy Producers
Association

Dated: January 29, 2016

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Oversee the Resource Adequacy Program, Consider Program Refinements, and Establish Annual Local and Flexible Procurement Obligations for the 2016 and 2017 Compliance Years.

Rulemaking 14-10-010
(Filed October 16, 2014)

**MOTION OF THE INDEPENDENT ENERGY PRODUCERS
ASSOCIATION TO AMEND THE PHASE 2 SCOPING
MEMO AND RULING**

On December 23, 2015, Assigned Commissioner Michel Florio and Administrative Law Judge Kevin Dudney issued their Phase 2 Scoping Memo and Ruling in this proceeding. The Phase 2 Scoping Memo and Ruling did not provide for consideration of a multiyear Resource Adequacy (RA) requirement, because that issued had previously been designated as Track 1 of the proceeding on the Joint Reliability Plan, Rulemaking (R.) 14-02-001.¹ In early 2015, however, Track 1 of R.14-02-001 was suspended, based on the presumption that it was necessary to develop a durable flexible capacity program before a multiyear RA requirement could be implemented.²

The Commission has now closed R.14-02-001³ with the instruction that any further work on Track 1 should be assumed by either the Long-Term Procurement Plan (LTPP) proceeding or the RA proceeding. The Independent Energy Producers Association (IEP) brings

¹ *Scoping Memo and Ruling of Assigned Commissioner*, R.14-02-001, May 20, 2014.

² *Assigned Commissioner and Administrative Law Judges' Ruling Suspending Track 1*, R.14-02-001, Jan. 16, 2015.

³ Decision 16-01-033.

this motion under Rule 11.1 of the Commission's Rules of Practice and Procedure to amend the Phase 2 Scoping Memo and Ruling to incorporate consideration of a multiyear RA obligation.

I. THE RA PROCEEDING IS THE APPROPRIATE HOME FOR CONSIDERATION OF A MULTIYEAR RA OBLIGATION

Although D.16-01-033 suggests that either the LTPP proceeding or the RA proceeding could take up the multiyear RA requirement, the RA proceeding is the obvious choice. Apart from the fact that the RA proceeding is the obvious forum for consideration of issues related to RA, considering the multiyear RA obligation in the RA proceeding would allow for a consistent treatment of a multiyear obligation for system, local, and flexible capacity.

II. A MULTIYEAR RA OBLIGATION SERVES TWO USEFUL FUNCTIONS

The past discussion of a multiyear RA obligation has tended to obscure the point that a multiyear RA obligation will serve two useful functions.

First, as a **reporting** tool, a multiyear RA obligation would provide the Commission with an appropriate and helpful early warning of potential shortfalls in needed capacity. This reporting function takes on particular significance during a time when several factors combine to create uncertainty about what level of RA capacity will be needed and what RA capacity will be available to meet that need in future years:

- Increasing reliance on new, emerging technologies. In both planning and procurement, the limited historical experience with newly commercialized or emerging technologies (*e.g.*, storage, distributed resources) provides little guidance about the extent of these technologies' contribution to meeting future grid reliability needs.
- Growth of community choice aggregation. Although the overall demand for electricity should not be affected by customers' choice of retail provider, the

relative lack of experience and lower capitalization of community choice aggregators creates additional risk that capacity will not be available when needed.

- The growth of behind-the-meter generation. Behind-the-meter generation creates two separate risks. First, behind-the-meter generation is not controlled by either the local utility or the California Independent System Operator and cannot be counted on to generate when it is needed to maintain reliability. Second, resources like rooftop solar act to mask potential demand that may show up unexpectedly, *e.g.*, during an extended period of storms or cloudy weather.
- Increasing reliance on intermittent resources and adoption of an Effective Load Carrying Capacity (ELCC) methodology for calculating the Net Qualifying Capacity (NQC) for wind and solar resources. California has adopted a 50% Renewables Portfolio Standard and an aggressive program to encourage rooftop solar and other behind-the-meter distributed resources. However, when these additional resources will begin operation and the extent to which these resources will provide system, local, or flexible RA capacity is unknown in the near term. In addition, indications are that the NQC of solar resources will be somewhat lower under the ELCC methodology than under the current methodology. These two developments increase the uncertainty that adequate system, local, and flexible capacity will be available when and where needed in the near term.

- Risk of Retirement of Existing Thermal Capacity. At the same time that the growth and expansion of preferred resources is expected to displace thermal resources, gas-fired resources are confronted with forecasts of lower operating margins, which could increase the risk of retirement of existing thermal capacity in the near term.

Currently, the Commission monitors future capacity availability over a one-year forward timeframe in the RA proceeding and over a 10-year timeframe in the LTPP proceeding. Factors like those outlined above cast considerable doubt on whether the current capacity forecasting tools are adequate to provide sufficient warning of capacity shortages that could affect reliability. A multiyear reporting requirement covering three years forward, for example, would provide at least some warning of impending capacity shortfalls and would enable the Commission to take action to avoid future reliability problems. Conversely, a multiyear reporting requirement could also provide the Commission with greater assurance that California has enough capacity to maintain reliability over at least the term of the reporting obligation.

A secondary function of a multiyear RA obligation is a **procurement** function. Currently, load-serving entities (LSEs) are required to make annual and monthly showings that they have procured enough of the right sort of capacity to meet their fair share of the obligation to maintain a reliable electric grid. A multiyear RA obligation would help ensure that load-serving entities have sufficient RA capacity under contract to ward off any impending capacity shortfalls and related reliability problems. To the extent that the LSEs' multiyear forward RA reports indicate that sufficient capacity is under contract to meet forecasted needs, then additional procurement would be unnecessary. To the extent that the reports indicate a net need

for additional capacity, then the Commission and the LSEs will be in better position to act to fill the need.

III. INCORPORATING CONSIDERATION OF A MULTIYEAR RESOURCE ADEQUACY OBLIGATION INTO THE CURRENT RA PROCEEDING

Originally, a multiyear forward RA obligation was to be considered in the Joint Reliability Plan proceeding. However, consideration of a multiyear forward RA obligation was suspended until the details of a durable flexible capacity program could be resolved. The decision to suspend consideration of a multiyear RA obligation, however, obscured the fact that there are two separate decisions the Commission must make with regard to a multiyear RA obligation. First, the Commission must decide as a policy matter whether a multiyear RA obligation is a good idea. Second, once the Commission makes the policy decision in favor of a multiyear RA obligation, the Commission must decide the details of the implementation of that policy decision. These two steps are analogous to a decision about insurance: First, does it make sense to insure against a particular risk? Second, how much coverage is appropriate?

The conversation about a multiyear RA requirement up to now has tended to get bogged down in the details of implementation, and that has led to the presumption that it is premature to consider a multiyear requirement until all the details of a flexible capacity program are decided, currently scheduled for resolution in Phase 2 of R.14-10-010. However, as part of Phase 1 of this proceeding, the Commission could make two simple but significant decisions:

1. The Commission can make the policy decision that a multiyear RA obligation for load-serving entities is appropriate (or not).
2. The Commission can adopt a multiyear RA **reporting** requirement. Load-serving entities would be required to report the extent of their procurement of RA capacity in future years, *separate* from any procurement obligation.

Importantly, it is not necessary to postpone any consideration of the details of a multiyear RA **procurement** obligation until all the details of a durable flexible capacity program are finalized. The multiyear procurement obligation could be considered in Track 2 of Phase 2, in parallel with the development of a durable flexible capacity program. In fact, as the Phase 2 Scoping Memo and Ruling acknowledges, a longer-term view is appropriate for consideration of the durable flexible capacity program.

IV. **CONCLUSION**

For the reasons stated in this motion, IEP respectfully urges the Assigned Commissioner and Administrative Law Judge to modify the Phase 2 Scoping Memo and Ruling to:

- Rule that consideration of a multiyear RA obligation is within the scope of Phase 2 of this proceeding;
- Include in Track 1 of Phase 2 consideration of the policy issue of whether a multiyear RA obligation is appropriate and, if so, for what duration;
- Include consideration of a multiyear RA **reporting** obligation in Track 1 of Phase 2;
- Include consideration of a multiyear RA **procurement** obligation in Track 2 of Phase 2; and
- Revise the schedule as necessary to reflect these modifications.

Respectfully submitted January 29, 2016, at San Francisco, California.

GOODIN, MACBRIDE,
SQUERI & DAY, LLP
Brian T. Cragg
505 Sansome Street, Suite 900
San Francisco, California 94111
Telephone: (415) 392-7900
Facsimile: (415) 398-4321
Email: bcragg@goodinmacbride.com

By /s/ Brian T. Cragg

Brian T. Cragg

Attorneys for the Independent Energy Producers
Association

2970/017/X178961.v2